

## Message Text

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DRAFTED BY STR;JGREENWALD, TGRAHAM:JT

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TO AMEMBASSY LONDON PRIORITY

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UNCLAS STATE 283088

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TAGS: ETRD:GATT

SUBJECT: SUMMARY OF TRADE ACT OF 1974

PASS SENATOR RIBICOFF

1. FOLLOWING IS A SUMMARY OF MAJOR PROVISIONS OF THE TRADE ACT OF 1974.

2. NEGOTIATING AUTHORITIES: FOR FIVE YEARS, WITH STAGING OF DUTY REDUCTIONS OVER 10 YEARS AT A RATE NOT TO EXCEED 3 PERCENT AD VALOREM PER ANNUM, OR ANNUAL REDUCTIONS OF 1/10 OF THE TOTAL, WHICHEVER IS GREATER.

TARIFF REDUCTIONS. TARIFFS ABOVE 5 PERCENT AD VALOREM MAY BE REDUCED 60 PERCENT, TARIFFS OF 5 PERCENT AD VALOREM OR BELOW MAY BE ELIMINATED.

TARIFF INCREASES. PRIMARILY TO HARMONIZE DUTY RATE LEVELS WITH THOSE OF OTHER COUNTRIES, MAY BE NEGOTIATED UP UNCLASSIFIED

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TO THE GREATER OF 50 PERCENT ABOVE 1934 RATES, OR 20 PERCENT AD VALOREM ABOVE EXISTING RATES.

REDUCTION, ELIMINATION OR HARMONIZATION OF NON-TARIFF

BARRIERS (NTBS) IS URGED. AGREEMENTS REDUCING ELIMINATING OR HARMONIZING NTBS MAY BE IMPLEMENTED UNDER A "FAST TRACK" PROCEDURE FOR AFFIRMATIVE CONGRESSIONAL APPROVAL. NO AMENDMENTS TO AN IMPLEMENTING BILL ARE ALLOWED AND THERE ARE PROVISIONS FOR (1) DISCHARGE OF A COMMITTEE FROM CONSIDERATION OF AN IMPLEMENTING BILL; (2) LIMITATION ON

MOTIONS WHICH CAN BE MADE IN CONNECTION WITH CONSIDERATION OF SUCH BILL (3) TIME LIMITS ON DEBATE AND (4) A DEADLINE FOR FINAL ACTION. BEFORE ENTERING INTO ANY TRADE AGREEMENT, THE PRESIDENT IS TO CONSULT WITH APPROPRIATE CONGRESSIONAL COMMITTEES WITH RESPECT TO THE MANNER IN WHICH IMPLEMENTING LEGISLATION IS TO BE SUBMITTED TO CONGRESS.

OBJECTIVES OF NEGOTIATIONS. THE OVERALL GOAL OF NEGOTIATIONS IS TO OBTAIN MORE OPEN AND EQUITABLE MARKET ACCESS AND THE ELIMINATION, REDUCTION OR HARMONIZATION OF DEVICES WHICH DISTORT TRADE OR COMMERCE. OTHER NEGOTIATING OBJECTIVES ARE: (1) TO OBTAIN TO THE MAXIMUM EXTENT FEASIBLE, OPPORTUNITIES FOR APPROPRIATE MANUFACTURING PRODUCT SECTORS AND THE AGRICULTURAL SECTOR EQUIVALENT TO THOSE OFFERED BY THE UNITED STATES TO SIMILAR PRODUCTS OF FOREIGN COUNTRIES; (2) TO ENTER INTO BILATERAL TRADE AGREEMENTS IF THE PRESIDENT DETERMINES THAT SUCH AGREEMENTS WILL BE MORE EFFECTIVE THAN MULTILATERAL ONES IN PROMOTING U.S. ECONOMIC GROWTH AND EMPLOYMENT; (3) THE CONCLUSION OF TRADE AGREEMENTS WHICH BENEFIT BOTH DEVELOPING COUNTRIES AND THE U.S. (4) TO OBTAIN SATISFACTORY INTERNATIONAL RULES WITH RESPECT TO DOMESTIC SAFEGUARDS, I.E. TEMPORARY ADJUSTMENTS TO IMPORT COMPETITION; AND (5) AGREEMENT ON SUPPLY ACCESS.

3. CONGRESSIONAL, PUBLIC, AND AGENCY ADVICE:  
CONGRESSIONAL PARTICIPATION IN THE NEGOTIATING PROCESS IS PROVIDED BY APPOINTMENT OF FIVE MEMBERS EACH FROM THE HOUSE WAYS AND MEANS AND SENATE FINANCE COMMITTEES AS ADVISERS TO THE U.S. TRADE NEGOTIATING DELEGATION,  
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AND BY PROVISION FOR CONSULTATIONS PRIOR TO THE PRESENTATIONS OF NTB AGREEMENTS FOR CONGRESSIONAL APPROVAL. THERE ALSO ARE FIVE SPECIFIC AREAS IN THE ACT IN WHICH CONGRESS MAY REVIEW AND OVERRIDE ACTIONS TAKEN BY THE EXECUTIVE BRANCH.

A NETWORK OF PUBLIC AND PRIVATE SECTOR ADVISORY COMMITTEES ARE TO OPERATE THROUGHOUT THE PRE-NEGOTIATION AND NEGOTIATION PERIODS. ADMINISTRATION MUST REPORT ON THE DISPOSITION OF SUCH ADVICE, AND THE COMMITTEES ARE TO SUBMIT REPORTS TO CONGRESS APPRAISING TRADE AGREEMENTS.

PRE-NEGOTIATION PROCEDURES, SUCH AS PUBLIC LISTING OF ALL ARTICLES BEING FOR DUTY REDUCTIONS, TARIFF COMMISSION AND EXECUTIVE BRANCH ADVICE AND PUBLIC HEARINGS, ARE REQUIRED PRIOR TO THE EXTENSION OF ANY OFFERS FOR BASIC TARIFF AGREEMENTS, AND IN CONNECTION

WITH RENEGOTIATION AND COMPENSATION AGREEMENTS. THE SAME PROCEDURES ARE REQUIRED PRIOR TO THE EXTENSION OF GENERALIZED PREFERENCES TO ANY ARTICLE.

4. OTHER AUTHORITIES:

BALANCE-OF-PAYMENTS AUTHORITY. THE PRESIDENT IS REQUIRED TO RAISE U.S. TRADE BARRIERS IN TIMES OF U.S. BALANCE-OF-PAYMENTS DEFICIT WHEN SUCH DEFICIT REQUIRES SPECIAL IMPORT MEASURES AND IS AUTHORIZED TO LOWER BARRIERS (WITH DUTY REDUCTIONS LIMITED TO 5 PERCENT AD VALOREM) DURING PERIODS OF BALANCE OF TRADE SURPLUS. IF THE PRESIDENT DETERMINES THE IMPOSITION OF RESTRICTIONS FOR BALANCE OF PAYMENTS PURPOSES WILL BE CONTRARY TO THE NATIONAL INTEREST, HE NEED NOT RAISE BARRIERS, BUT MUST CONSULT WITH CONGRESS. ACTIONS TAKEN BY THE PRESIDENT FOR BALANCE-OF-PAYMENTS REASONS ARE LIMITED TO 150 DAYS DURATION, EXTENDABLE BY CONGRESS.

COMPENSATION AUTHORITY. WHENEVER IMPORT RELIEF ACTION HAS BEEN TAKEN THE PRESIDENT MAY REDUCE DUTIES BY NOT MORE THAN 30 PERCENT IN ORDER TO PAY THE COMPENSATION UNCLASSIFIED

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OWED OUR TRADING PARTNERS AS A RESULT OF THE IMPORT RELIEF ACTION. IN DETERMINING WHETHER TO GRANT COMPENSATION, THE PRESIDENT IS TO CONSIDER WHETHER A COUNTRY HAS VIOLATED TRADE CONCESSIONS BENEFITTING THE U.S. UNLESS SUCH COUNTRY HAS PAID COMPENSATION OR THE U.S. HAS TAKEN OFFSETTING ACTION.

AUTHORITY TO RENEGOTIATE DUTIES IS GRANTED FOR TWO YEARS BEYOND THE FIVE-YEAR PERIOD OF THE BASIC NEGOTIATING AUTHORITIES IN THE ACT, BUT IS LIMITED TO UNUSED RESIDUAL NEGOTIATING AUTHORITY AND TO NO MORE THAN 2 PERCENT OF TOTAL U.S. IMPORTS IN ANY ONE YEAR.

TERMINATION AND WITHDRAWAL AUTHORITY. ALL TRADE AGREEMENTS UNDER THE ACT ARE TO BE SUBJECT TO TERMINATION AND WITHDRAWAL BY THE U.S. UPON TERMINATION OF OR WITHDRAWAL FROM AN AGREEMENT, THE PRESIDENT MAY IMPOSE OR RAISE DUTIES TO A RATE NOT HIGHER THAN 50 ABOVE THE COLUMN 2 (STATUTORY) RATE OR 20 PERCENT AD VALOREM ABOVE THE COLUMN 1 RATE. WHENEVER ANY FOREIGN COUNTRY OR INSTRUMENTALITY WITHDRAWS OR SUSPENDS TRADE AGREEMENT OBLIGATIONS OF BENEFIT TO THE U.S. WITHOUT GRANTING

ADEQUATE COMPENSATION, THE PRESIDENT MAY TAKE COMPENSATORY ACTION.

RECIPROCAL NONDISCRIMINATORY TREATMENT. THE GENERAL RULE OF MOST FAVORED NATION TREATMENT IS REAFFIRMED

HOWEVER, THE ACT DOES REQUIRE THE PRESIDENT TO DETERMINE WHETHER ANY MAJOR INDUSTRIALIZED COUNTRY FAILS TO MAKE CONCESSIONS IN THE FORTHCOMING NEGOTIATIONS AFFORDING COMPETITIVE OPPORTUNITIES TO U.S. PRODUCERS SUBSTANTIALLY EQUIVALENT TO THOSE AFFORDED TO PRODUCERS OF SUCH COUNTRY BY U.S. CONCESSION IN SUCH NEGOTIATIONS. IF THE PRESIDENT DETERMINES THAT ANY MAJOR INDUSTRIALIZED COUNTRY HAS FAILED TO MAKE SUCH CONCESSIONS, HE IS TO RECOMMEND TO THE CONGRESS LEGISLATION NECESSARY TO CORRECT THE BALANCE OF CONCESSIONS.

RESERVATION OF ARTICLES FROM NEGOTIATION. DUTIES ON ARTICLES SUBJECT TO NATIONAL SECURITY OR IMPORT RELIEF UNCLASSIFIED

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MEASURES MAY NOT BE REDUCED UNDER THE NEGOTIATING AUTHORITIES OF THE BILL, NOR MAY ANY BARRIERS IMPOSED FOR IMPORT RELIEF OR NATIONAL SECURITY PURPOSES BE REDUCED. ARTICLES SUBJECT TO NATIONAL SECURITY OR IMPORT RELIEF MEASURES ALSO ARE INELIGIBLE FOR GENERALIZED PREFERENCES.

REFORM OF INTERNATIONAL TRADING SYSTEM: REVISIONS OF GATT, EITHER DIRECT OR INDIRECT, AND NEGOTIATION OF OTHER TRADE AGREEMENTS ARE URGED IN ORDER TO PROMOTE THE DEVELOPMENT OF AN OPEN, NONDISCRIMINATORY AND FAIR WORLD ECONOMIC SYSTEM. IN THIS CONNECTION THE PRESIDENT IS DIRECTED, TO THE EXTENT FEASIBLE, TO ESTABLISH THROUGH NEGOTIATION TWELVE SPECIFIC OBJECTIVES.

5. INTERNATIONAL TRADE COMMISSION: THE NAME OF THE TARIFF COMMISSION IS CHANGED TO THE INTERNATIONAL TRADE COMMISSION. THE TERMS OF THE COMMISSIONERS ARE EXTENDED TO 14 YEARS. THE CHAIRMANSHIP AND VICE-CHAIRMANSHIP ARE TO ROTATE AMONG THE MEMBERS.

6. IMPORT RELIEF. THE CRITERIA AND PROCEDURES WHICH EXISTED UNDER PRIOR "ESCAPE-CLAUSE" PROVISIONS ARE SUBSTANTIALLY LIBERALIZED: (1) THE REQUIREMENT OF A CAUSAL LINK BETWEEN INCREASED IMPORTS AND TRADE AGREEMENT CONCESSIONS IS ELIMINATED; (2) INCREASED IMPORTS MUST BE A "SUBSTANTIAL" CAUSE OF SERIOUS INJURY OR THREAT THEREOF, RATHER THAN THE "MAJOR CAUSE" AS WAS REQUIRED IN THE PAST. ("SUBSTANTIAL" IS DEFINED AS "IMPORTANT AND NOT LESS THAN ANY OTHER CAUSE"; (3) PROVISION IS MADE FOR A FINDING OF INJURY TO A DOMESTIC INDUSTRY

OF A CERTAIN GEOGRAPHICAL AREA IF THE NATIONAL INDUSTRY, MARKETS FOR THE PRODUCTS OF SUCH INDUSTRY AND IMPORTS OF THE PRODUCTS CAUSING THE INJURY ARE HEAVILY CONCENTRATED IN SUCH AREA.

THE PRESIDENT MUST (EITHER AGAINST ALL IMPORTS OF THE ARTICLE CONCERNED OR AGAINST THE IMPORTS OF SUCH ARTICLE FROM ONE OR MORE COUNTRIES) IMPOSE OR INCREASE DUTIES, PROCLAIM A TARIFF-RATE QUOTA, QUOTAS, OR NEGOTIATE AN ORDERLY MARKETING AGREEMENT (OR TAKE ANY UNCLASSIFIED

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COMBINATION OF SUCH ACTIONS) UPON AN AFFIRMATIVE IMPORT RELIEF FINDING BY THE INTERNATIONAL TRADE COMMISSION, UNLESS THE PRESIDENT DETERMINES THAT THE PROVISION OF SUCH RELIEF IS NOT IN THE NATIONAL ECONOMIC INTEREST. IF THE COMMISSION MAKES AN AFFIRMATIVE FINDING AND RECOMMENDS THAT ADJUSTMENT ASSISTANCE BE GRANTED TO DOMESTIC FIRMS WORKERS OR COMMUNITIES, IN LIEU OF IMPORT RESTRICTIONS, THE PRESIDENT MUST DIRECT THE APPROPRIATE AGENCIES TO GRANT SUCH ASSISTANCE ON AN EXPEDITED BASIS. FURTHER, WHENEVER THE PRESIDENT HAS DECIDED NOT TO IMPOSE IMPORT RELIEF OR HAS IMPOSED RELIEF OF A TYPE OR AT A LEVEL DIFFERENT FROM THAT RECOMMENDED BY THE INTERNATIONAL TRADE COMMISSION, THE CONGRESS MAY OVERRIDE BY CONCURRENT RESOLUTION OF A MAJORITY OF THOSE VOTING OF EACH HOUSE OF CONGRESS, THE PRESIDENT'S DECISION IN FAVOR OF THE RELIEF RECOMMENDED BY THE INTERNATIONAL TRADE COMMISSION. ESCAPE-CLAUSE RELIEF IS TEMPORARY, TO BE PHASED DOWN BEGINNING WITH THE THIRD YEAR AND OUT AT THE END OF FIVE YEARS, WITH ONE EXTENSION FOR THREE YEARS IF NECESSARY.

6. ADJUSTMENT ASSISTANCE. WORKERS. SUPPLEMENTING STATE UNEMPLOYMENT INSURANCE, BASIC ASSISTANCE BENEFITS TO QUALIFIED WORKERS EXTEND UP TO 52 WEEKS AT 70 PERCENT OF THE WORKER'S AVERAGE WEEKLY WAGE, BUT NOT MORE THAN 100 PERCENT OF THE NATIONAL MANUFACTURING AVERAGE WEEKLY WAGE. TRAINING AND EMPLOYMENT SERVICES, AND JOB SEARCH AND RELOCATION BENEFITS ALSO ARE PROVIDED. FIRMS. THE FIRM ASSISTANCE PROGRAM IS DESIGNED PARTICULARLY FOR SMALLER COMPANIES AND IS LIMITED TO THOSE WHICH CANNOT OTHERWISE OBTAIN REASONABLE FINANCING THROUGH PRIVATE CAPITAL MARKETS. IT INCLUDES TECHNICAL ASSISTANCE; LOAN GUARANTEES(UP TO 3 MILLION PER RECIPIENT, AND DIRECT LOANS UP TO 1 MILLION PER RECIPIENT). COMMUNITIES. THE COMMUNITY ASSISTANCE PROGRAM IS INTENDED TO HELP SMALL COMMUNITIES AFFECTED BY TRADE COMPETITION TO ATTRACT NEW INDUSTRY. BENEFITS INCLUDE TECHNICAL ASSISTANCE, GRANTS AND LOANS (UP TO AN AUTHORIZATION OF \$100 MILLION AND LOAN GUARANTEES.

7. RELIEF FROM UNFAIR TRADE PRACTICES: THE BILL INCLUDES

REVISIONS OF PRESENT STATUTES TO DEAL MORE EFFECTIVELY  
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WITH UNFAIR METHODS OF TRADE COMPETITION.

RETALIATION PROVISIONS AGAINST UNJUSTIFIABLE (ILLEGAL) AND UNREASONABLE (UNFAIR) TRADE PRACTICES BY FOREIGN COUNTRIES ARE EXTENDED TO INCLUDE SERVICES, RESTRICTIONS ON SUPPLY ACCESS, AND EXPORT SUBSIDIES TO THIRD MARKETS OR (UNDER CERTAIN CIRCUMSTANCES) TO THE U.S. RETALIATION MAY BE SELECTIVE OR NONDISCRIMINATORY (MFN), BUT CONGRESS MAY DISAPPROVE OF AN MFN ACTION AND REQUIRE THAT IT BE SELECTIVE.

ANTI-DUMPING PROVISIONS INCLUDE TIME LIMITS AND PROCEDURAL AND TECHNICAL CHANGES PROPOSED BY THE ADMINISTRATION, AS WELL AS A PROCEDURE FOR INTERNATIONAL TRADE COMMISSION REVIEW OF NEGATIVE TREASURY FINDINGS, AND PROVISION FOR ANTIDUMPING DETERMINATIONS AGAINST MULTINATIONAL COMPANIES WITHOUT A "HOME MARKET", WHICH SUPPORT CHEAP SALES TO THE U.S. THROUGH EXPENSIVE SALES BY SUBSIDIARIES IN PROTECTED FOREIGN MARKETS.

COUNTERVAILING DUTY PROCEDURES ARE EXTENDED TO COVER DUTY-FREE IMPORTS. THE TIME LIMITS FOR TAKING ACTION HAVE BEEN TIGHTENED TO REQUIRE A PRELIMINARY DETERMINATION WITHIN SIX MONTHS AND A FINAL DETERMINATION WITHIN ONE YEAR FOLLOWING RECEIPT OF A PETITION, BUT TREASURY MAY REFRAIN DURING THE NEXT FOUR YEARS FROM COUNTERVAILING EXCEPT IN CONNECTION WITH PENDING CASES WITH RESPECT TO NON-RUBBER FOOTWEAR, IF TO DO SO WOULD JEOPARDIZE THE NEGOTIATIONS AND ADEQUATE STEPS ARE TAKEN TO OFFSET THE BOUNTY OR GRANT. JUDICIAL REVIEW OF NEGATIVE DETERMINATIONS IS PROVIDED.

SECTION 337 OF THE TARIFF ACT OF 1930, INVOLVING UNFAIR TRADE PRACTICES (SUCH AS U.S. PATENT INFRINGEMENT BY FOREIGN PRODUCTS), HAS BEEN AMENDED TO AUTHORIZE FINAL DETERMINATIONS BY THE INTERNATIONAL TRADE COMMISSION SUBJECT TO AN OVERRIDE BY THE PRESIDENT OF AFFIRMATIVE DETERMINATIONS, FOR POLICY REASONS, WITHIN 60 DAYS. THE INTERNATIONAL TRADE COMMISSION MUST MAKE ITS DETERMINATION WITHIN ONE YEAR (18 MONTHS) IN COMPLAINTED CASES) MUST CONSULT WITH APPROPRIATE GOVERNMENT  
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AGENCIES, MAY ISSUE CEASE AND DESIST ORDERS AS ALTERNATIVES TO EXCLUSIONS, AND MAY PRESCRIBE A REASONABLE BOND UNDER WHICH ARTICLES SUBJECT TO EXCLUSION ORDERS MAY ENTER. IN CONNECTION WITH SECTION 337 CASES, THE

COMMISSION IS TO CONSIDER ALL LEGAL AND EQUITABLE DEFENSES.

8. NONDISCRIMINATORY TARIFF TREATMENT OF IMPORTS FROM NON-MARKET ECONOMY COUNTRIES: THE EXTENSION OF NON-DISCRIMINATORY (MOST-FAVORED-NATION) TARIFF TREATMENT TO U.S. IMPORTS FROM NON-MARKET ECONOMY COUNTRIES NOT NOW RECEIVING SUCH TREATMENT IS AUTHORIZED BUT ONLY IF THE PRESIDENT FINDS THAT SUCH COUNTRIES ARE NOT DENYING FREEDOM OF EMIGRATION. THE EXTENSION OF U.S. GOVERNMENT CREDITS AND INVESTMENT GUARANTEES TO SUCH COUNTRIES IS ALSO CONTINGENT UPON SUCH A FINDING BY THE PRESIDENT. THE REQUIREMENT THAT NON-MARKET ECONOMY COUNTRIES NOT DENY THEIR CITIZENS FREEDOM OF EMIGRATION MAY BE WAIVED FOR AN INITIAL PERIOD OF 18 MONTHS AND EXTENDED FOR ONE YEAR PERIODS THEREAFTER IF THE PRESIDENT DETERMINES THAT SUCH A WAIVER WILL PROMOTE FREEDOM OF EMIGRATION AND HAS RECEIVED ASSURANCES THAT THE EMIGRATION PRACTICES OF THE COUNTRY CONCERNED WILL LEAD TO SUBSTANTIALLY FREEDOM OF EMIGRATION. EXTENSION OF THE WAIVER MUST BE INITIALLY APPROVED BY THE CONGRESS BY AFFIRMATIVE ACTION (ALTHOUGH IF CONGRESS DOES NOT ACT WITHIN A SPECIFIED PERIOD, THE WAIVER WILL BE EXTENDED UNLESS DISAPPROVED) AND THEREAFTER IS SUBJECT TO CONGRESSIONAL VETO.

FURTHER THE PRESIDENT IS AUTHORIZED TO WITHHOLD MFN TREATMENT AND U.S. CREDITS FROM COUNTRIES NOT NOW RECEIVING MFN TREATMENT IF HE DETERMINES SUCH COUNTRIES ARE NOT COOPERATING IN ACCOUNTING TO U.S. PERSONNEL MISSING IN SOUTHEAST ASIA. EXTENSION OF NONDISCRIMINATORY TREATMENT MUST BE PURSUANT TO BILATERAL COMMERCIAL AGREEMENTS WHICH, IF ENTERED INTO SUBSEQUENT TO ENACTMENT OF THE BILL, MUST BE APPROVED BY BOTH HOUSES OF CONGRESS (IF ENTERED INTO BEFORE ENACTMENT, THE EXTENSION OF MFN WILL GO INTO EFFECT UNLESS THE AGREEMENT IS DISAPPROVED BY EITHER HOUSE OF CONGRESS). IMPORT RELIEF MAY BE GRANTED IN CONNECTION WITH IMPORTS FROM ALL COMMUNIST UNCLASSIFIED

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COUNTRIES SUBJECT TO A "MARKET DISRUPTION" TEST WHICH IS EASIER TO MEET THAN THE STANDARD FOR TRIGGERING ESCAPE CLAUSE ACTIONS. ANY BILATERAL AGREEMENT UNDER TITLE IV WITH CZECHOSLOVAKIA MUST INCLUDE RENEGOTIATION OF THE SETTLEMENT OF PAYMENT BY CZECHOSLOVAKIA OF AMOUNTS OWED U.S. CITIZENS AND NATIONALS. AN EAST-WEST

9. GENERALIZED TARIFF PREFERENCES FOR IMPORTS FROM LDCS. THE BILL PROVIDES TEN-YEAR AUTHORITY REQUESTED BY THE ADMINISTRATION TO GRANT GENERALIZED DUTY-FREE TARIFF PREFERENCES (GSP) ON ELIGIBLE ITEMS FROM DESIGNATED BENEFICIARY DEVELOPING COUNTRIES, SUBJECT TO PROCEDURES AND LIMITATIONS. THE PRESIDENT IS AUTHORIZED TO DESIGNATE

BENEFICIARY COUNTRIES AND ELIGIBLE ARTICLES AFTER COMPLY-

INCLUDING REVIEW BY INTERNATIONAL TRADE COMMISSION AND PUBLIC HEARINGS, DESIGNED TO IDENTIFY IMPORT-SENSITIVE U.S. ARTICLES.

TO RECEIVE PREFERENTIAL TREATMENT, AN ELIGIBLE ARTICLE MUST BE IMPORTED DIRECTLY FROM THE DEVELOPING COUNTRY, AND THE VALUE-ADDED IN THE DEVELOPING COUNTRY MUST BE AT LEAST 35 PERCENT FOR INDIVIDUAL COUNTRIES, OR 50 PERCENT FOR GROUPS OF COUNTRIES TREATED AS ONE.

PREFERENCES WILL NOT BE GRANTED TO:

(1) COMMUNIST COUNTRIES UNLESS THE PRODUCTS OF SUCH COUNTRY ARE RECEIVING NONDISCRIMINATORY TREATMENT, SUCH COUNTRY IS A CONTRACTING PARTY TO THE GATT AND A MEMBER OF THE IMF, AND SUCH COUNTRY IS NOT "DOMINATED OR CONTROLLED BY INTERNATIONAL COMMUNISM"; (2) OPEC COUNTRIES OR OTHER COUNTRIES PARTY TO ANY OTHER ARRANGEMENT IF SUCH COUNTRIES PARTICIPATE IN ANY ACTION PURSUANT TO SUCH ARRANGEMENT THE EFFECT OF WHICH IS TO WITHHOLD SUPPLIES OF VITAL COMMODITIES FROM INTERNATIONAL TRADE OR TO RAISE THE PRICE OF SUCH COMMODITIES TO AN UNREASONABLE LEVEL, AND THEREBY CAUSE SERIOUS DISRUPTION OF THE WORLD ECONOMY; (3) COUNTRIES WHICH GRANT REVERSE PREFERENCES TO OTHER DEVELOPED COUNTRIES WITH SIGNIFICANT ADVERSE EFFECTS ON U.S. COMMERCE, UNLESS THE PREFERENCES OR THEIR ADVERSE EFFECTS ARE TO BE ELIMINATED BY JAN 1. UNCLASSIFIED

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1976; AND (4) COUNTRIES WHICH HAVE NATIONALIZED PROPERTY OF U.S. CITIZENS OR BUSINESSES WITHOUT PROMPT, ADEQUATE AND EFFECTIVE COMPENSATION, NEGOTIATION OR ARBITRATION; AND (5) COUNTRIES WHICH DO NOT TAKE ADEQUATE STEPS TO PREVENT ILLEGAL DRUGS PRODUCED IN, PROCESSED IN, OR TRANSPORTED FROM THEIR BORDERS FROM ENTERING THE UNITED STATES; AND (6) COUNTRIES WHICH DO NOT ACT IN GOOD FAITH IN RECOGNIZING OR ENFORCING ARBITRAL AWARDS IN FAVOR OF U.S. CITIZENS OR BUSINESSES.

THE PRESIDENT MAY WAIVE FOR ANY COUNTRY THE EXCLUSIONS BASED ON NATIONALIZATIONS, DRUG TRAFFIC, AND ARBITRAL AWARDS FOR REASONS OF U.S. NATIONAL ECONOMIC INTEREST. PREFERENTIAL TREATMENT WILL NOT BE GRANTED OR WILL BE WITHDRAWN ON IMPORTS OF A PARTICULAR ARTICLE FROM A PARTICULAR DEVELOPING COUNTRY WHICH EXCEED "COMPETITIVE NEED" CEILINGS SET AT \$25 MILLION (WITH THIS AMOUNT TO ESCALATE IN SUBSEQUENT YEARS IN PROPORTION TO CHANGES IN U.S. GNP COMPARED WITH THE BASE YEAR 1974 AND/OR 50 PERCENT OF TOTAL U.S. IMPORTS OF THE ARTICLE. THE 50 PERCENT CEILING DOES NOT APPLY TO ARTICLES FOR WHICH NO LIKE OR DIRECTLY COMPETITIVE ARTICLE IS PRODUCED IN



THE UNITED STATES.

THE PRESIDENT MAY NOT DESIGNATE AS ELIGIBLE ARTICLES (1) TEXTILE AND APPAREL ARTICLES WHICH ARE SUBJECT TO TEXTILE AGREEMENTS (2) WATCHES; (3) IMPORT-SENSITIVE ELECTRONIC ARTICLES; (4) IMPORT-SENSITIVE STEEL ARTICLES; (5) SEPCIFIED CATEGORIES OF FOOTWEAR ARTICLES; (6) IMPORT-SENSITIVE SEMIMANUFACTURED AND MANUFACTURED GLASS PRODUCTS; AND ANY OTHER ARTICLE WHICH THE PRESIDENT DETERMINES TO BE IMPORT-SENSITIVE IN THE CONTEXT OF GENERALIZED PREFERENCES.

10. GENERAL PROVISIONS: TECHNICAL "HOUSEKEEPING" AUTHORITIES ARE PROVIDED. IN ADDITION, (1) THE PRESIDENT IS REQUIRED TO REPORT ANNUALLY TO CONGRESS ON COUNTRIES WHICH ARE AIDING THE ENTRY OF ILLEGAL DRUGS INTO THE UNITED STATES; (2) PERSONS ARE EXONERATED FROM ANY LIABILITY FOR PARTICIPATING IN APPROVED VOLUNTARY LIMITATIONS ON STEEL EXPORTS TO THE UNITED STATES WHICH TERMINATE UNCLASSIFIED

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BY JANUARY 1, 1975; (3) THERE ARE PROVISIONS FOR GATHERING AND REPORTING STATISTICAL DATA ON IMPORTS AND EXPORTS; (4) THE VALUE OF DUTY-FREE GIFTS WHICH MAY BE SENT FROM CERTAIN INSULAR POSSESSIONS IS RAISED; (5) THE PERIOD FOR REVIEWING PROTESTS AGAINST THE IMPORT SURCHARGE OF AUGUST 17, 1971, IS EXTENDED TO FIVE YEARS AFTER THE PROTEST; (6) THE PRESIDENT IS AUTHORIZED TO INITIATE NEGOTIATIONS FOR A TRADE AGREEMENT WITH CANADA TO ESTABLISH A FREE TRADE AREA COVERING THE UNITED STATES AND CANADA; AND (7) NO W.S. GOVERNMENT AGENCIES (OTHER THAN COMMODITY CREDIT CORPORATION) MAY APPROVE ANY LOANS, GUARANTEES OR INSURANCE IN CONNECTION WITH EXPORTS TO THE SOVIET UNION IN AN AGGREGATE AMOUNT IN EXCESS OF \$300 MILLION WITHOUT PRIOR CONGRESSIONAL APPROVAL. BROWN

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